

**Prepared Statement on behalf of the United Fresh Produce Association**

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**Before the**  
**U.S. House of Representatives**  
**Committee on Small Business**  
**Subcommittee on Rural Development, Entrepreneurship and Trade**  
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Good morning Chairman Shuler, Ranking Member Luetkemeyer and Members of the Subcommittee. My name is Mark Williams and I am the Chief Financial Officer and Food Safety Coordinator of Flavor 1<sup>st</sup> Growers and Packers located in Horse Shoe, North Carolina. Additionally I serve as a County Commissioner for Henderson County, North Carolina, which ranks second in total dollars from crop production for the state. I am also part owner of small family farm producing apples and ornamental trees.

Flavor 1<sup>st</sup> is a grower, packer, shipper, and repacker specializing in vine ripe tomatoes, southern vegetables, corn and peppers. We source product year round, and have farming operations in Florida, Georgia, South Carolina and North Carolina. Our repacking warehouse in Hendersonville, North Carolina operates year round and we have seasonal operations in Belle Glade and Homestead, Florida and Bainbridge George. Our customers include retail grocery stores and food service companies, and our products are delivered up and down the east coast from Boston to Miami.

There are several important issues I would like to discuss today that are important for strengthening the fresh produce industry in the United States.

### **General Thoughts on Food Safety and Produce**

I have watched with great interest over the last several years the policy debate here in Washington, DC about potential changes in our food safety laws. We support many of those changes. Yet, I am reminded everyday that produce consumed in the United States is an extraordinarily safe and healthy food. Every major worldwide public health authority advises that the health benefits of eating produce far outweigh risks; and over 1 billion servings of produce are consumed daily in the U.S., almost universally without a food safety incident.

While, these statistics do not lie, we also must recognize that consumer confidence in their food is at an all-time low. According to a recent survey conducted for United Fresh Produce Association, 88% of the respondents indicated they are at least somewhat concerned about the safety of produce while 21% are at least very concerned about food safety and produce. This must change as fear has no place in the fresh produce department.

Ensuring the safety of fresh produce is an ongoing and integral focus for the entire industry. With a product that is grown in a natural environment and usually eaten raw, it is critical that the produce industry take every opportunity to ensure that our products are grown and handled properly at every step of the supply chain from grower to retailer, the produce industry is making tremendous investments to assure that the highest quality and safest produce is available to consumers to enjoy everyday.

### **Challenges for food safety**

- **Multiple food safety audits from customers** – One of our greatest challenges today is the lack of a consistent and agreed-upon standard for Good Agricultural

Practices. Without that government endorsed standard, different customers demand different food safety audits which are burdensome to our company. Food safety personnel could do a better, more efficient job if they had one standard to adhere to instead of trying to make sure that our controls will meet the nuances of several sets of metrics.

- **Consistency of auditing and inspections** – Although many of the metrics in different audits are identical, we have found it difficult to deal with multiple third party auditors due to the fact that different auditors focus on different parts of the metrics. This would be a challenge for either third-party auditors or government inspectors. For example, one third party auditor will focus heavily on land use and water quality while another third party auditor will focus heavily on paperwork, & records.
- **Cost** – Range of cost varies tremendously when all audits intend to do about the same thing. I believe that with a consistent and agreed-upon government standard, the cost of food safety inspections should be borne by the general public since it is the general public's health that is being protected. The current system, lacking that government standard, allows the private auditing industry to charge whatever they can especially when customers dictate to producers which third party audit they will accept. There are no checks and balances in place to prevent price gouging.

### **Key Recommendations for Food Safety Reform**

Put simply, we are at a point where we must work to rebuild public confidence in our system of food safety government oversight, such that when another outbreak occurs, the public can have confidence that it is the result of an isolated breakdown in one situation, not an endemic problem causing them to question the safety of all the produce they eat.

With an analogy of the airline industry, we must have rigorous government oversight and strong industry compliance with the clear, scientifically vetted safety practices. But, when an isolated tragedy occurs, we must get back on the airplane knowing that next flight is inordinately safe – just as spinach, tomatoes, or peppers from thousands of farms were safe on the day of the tragedy in our industry, and the next day, and the next day. Therefore the industry has focused on three major policy principles that are aimed to protect public health and ensure consumer confidence.

1. *Must allow for a commodity-specific approach, based on the best available science –* Produce safety standards must allow for commodity-specific food safety practices based on the best available science. In a highly diverse industry that is more aptly described as hundreds of different commodity industries, one size clearly does not fit all. For example, the food safety requirements of products grown close to the ground in contact with soil are far different from those grown on vines or trees. And, the large majority of produce commodities have never been linked to a food borne disease. In fact, a recent FDA federal register notice in 2007 confirmed that five produce commodities have been associated with 90% of all food borne disease outbreaks in the past 10 years, and that is where we must direct our resources.
2. *Must be consistent and applicable to commodity or commodity sector, no matter where grown or packaged in the United States, or imported into the country –* Produce safety standards must be consistent for an individual produce commodity grown anywhere in the United States, or imported into this country. Consumers must have the confidence that safety standards are met no matter where the commodity is grown or processed. I want to know that if I am required to comply with food safety requirements, my competitors are complying with the same standard.

Because of the variation in our industry's growing and harvesting practices in different climates and regions, flexibility is very appropriate and necessary. For

example, some production areas use deep wells for irrigation while others use surface water and flowing rivers. Some farms use sprinkler irrigation, others use a drip system laid along the ground, and still others use water in the furrows between rows of produce. But the common factor must be that all sources of irrigation water must meet safety standards that protect the product. That must be true whether the produce is grown in North Carolina, California, or Mexico.

3. *Must be federally mandated with sufficient federal oversight of compliance in order to be most credible to consumers* – Achieving consistent produce safety standards across the industry requires strong federal government oversight and responsibility in order to be most credible to consumers and equitable to producers.

The U.S. Food and Drug Administration, which is the public health agency charged by law with ensuring the safety of the nation's produce supply, must determine appropriate nationwide safety standards in an open and transparent process, with full input from the states, industry, academia, consumers and all other stakeholders.

For this work, FDA must also have strong relationships with the USDA, state agriculture and regulatory officials, and foreign governments to ensure that compliance is taking place. Cooperative agreements between FDA and the states have been extremely effective in providing oversight of food safety standards.

In particular, USDA has been a strong ally and has offered a number of means to assist the produce industry in safely growing, handling and processing fresh produce. For example USDA through AMS offers several auditing programs that assist the industry in measuring good agricultural practices, good handling practices, and HACCP programs in processing plants. These are good education and training programs, as well as a means to measure individual operators' understanding and implementation of food safety practices.

## **Risk Management Tools**

Risk has always been a part of agriculture and today, agriculture producers have an array of tools at their disposal with which to manage risk. These tools include crop and/or revenue insurance, production contracts, marketing contracts, hedging in futures, futures options contracts, vertical integration, diversification, off-farm income, and production and cultural practices.

The produce industry has changed dramatically over the years and the industry is now learning that it is a game with new rules, new stakes, and most of all, new risks. The nation's most successful producers are now looking at a deliberate and knowledgeable approach to risk management as a vital part of their operations. For them, risk management means operating a business with confidence in a rapidly changing world and their ability to deal with risks that come with new and attractive business opportunities. Over the years, little has been done at the federal level to ensure that the fruit and vegetable industry has access to risk management tools that are cost - effective and reliable. Additionally, the produce industry has become increasingly concerned about the development of risk management products that can create market distortion.

There now exists a window of opportunity to change the way produce industry risk management tools are developed and administered in such a way to reflect the fundamental differences between growing and marketing fruit and vegetable crops as opposed to traditional farm program crops. By increasing the flexibility of risk management tools that will respond to the diverse and heterogeneous needs of producers and commodities, and by creating policies that are of real value to growers, opportunities for effective risk management options for the fruit and vegetable industry can be achieved.

It should be noted that many of the insurance products that are offered by USDA's Risk Management Agency are not focused on fruits and vegetables commodities. One of the differentiating factors is that the commodities produced in our sub-sector of agriculture are among the highest value products on a per acre basis. Additionally, our growing seasons often do not coincide with USDA's crop years. Therefore, the risk management products that are offered for the traditional program crops cannot easily be translated to the fresh produce industry.

Some insurance products that bear further research include insuring producers for when their commodities fall within a quarantine area but are not affected by the particular pest or disease. In this case, because the product is otherwise consumable, current crop insurance products have been unavailable to those producers who still suffer significant economic harm. As part of this discussion, RMA should also look at possibly developing recall insurance product to help protect innocent farmers that are caught up in a recall that were never part of the actual incident. Many innocent spinach growers across the country were put into this situation back in September of 2007 when FDA told consumer to not eat spinach and effectively shutting down an entire industry. In turn, this came down to one 50 acre farm in California that was implicated in the outbreak.

Additionally, it may be appropriate for RMA to consider expanding the use of revenue assurance programs that allow producers to insure a portion of their farm's revenue against unusual fluctuations in the marketplace. The foundation of coverage for these insurance products in the specialty crop industry should be that they rely upon the producer's historical track record of production and profitability. This would strengthen the products and limit the government's risk by eliminating underperforming operations via rolling averages.

## **ACCESS TO CREDIT**

Access to credit is an essential component of any successful business. For the agriculture sector, it is particularly important given our susceptibility to weather-related events and other uncontrollable factors. The history of the traditional lending institutions is that they are quick to abandon the agriculture sector during difficult times. That reality gave rise to the Farm Credit System

Though the Farm Credit system has operated in a responsible, conservative manner over many years, they are not immune to the credit crisis. Their sources of funds have constricted along with the rest of the global banking system. This pressure on Farm Credit puts further pressure on their members.

We have already experienced less desirable rates and terms being offered. For example, lines of credit on a variable plan have been quoted to us with a floor rate which is approximately 250 basis points higher than last year's rate offering. Term debt is now set on balloon maturities much shorter than in the past.

Underwriting standards have tightened considerably in response to the macroeconomic upheaval. If ratio requirements and other lending covenants became unreasonably restrictive, farmers will suffer in just as significant a way as if they faced a natural disaster.

While loan guarantee programs and low interest government loans have their place, they are not the sole solution to this issue. These programs tend to be burdensome in the application and underwriting process. Additionally, there is limited enticement for banks to use FSA guarantees.

Legislation to provide greater enticement for banks to make agricultural loans without overly burdensome requirements should be carefully considered. Most farmers have been conservative forward-thinking managers. Given the tremendous risk associated with their business, all they are asking for is a fair chance to continue to operate given



the unusual economic circumstances we currently face. They are not asking for a free hand-out or terms so lenient that it would allow marginal producers to overstay their welcome in the marketplace.

Thank you again for the opportunity to participate in this hearing and I look forward to answering any questions that you may have.